



Department of Justice

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FORMER PENN TRAFFIC OFFICERS PLEAD GUILTY TO ACCOUNTING FRAUD

SYRACUSE, NEW YORK—LINDA JONES, age 50, of Reynoldsville, Pennsylvania and LESLIE KNOX, age 62, of Red House, West Virginia pled guilty today before United States District Judge David N. Hurd in Utica, New York to causing false and misleading financial information and reports to be filed with the U.S. Securities and Exchange Commission ("SEC"). JONES and KNOX were senior sales and marketing executives with The Penn Traffic Company ("Penn Traffic"), a publicly-traded grocery retailer and wholesaler headquartered in Syracuse, New York. As a result of their guilty pleas, JONES and KNOX each face a maximum term of up to 20 years in prison; a \$5,000,000 fine; and three years of supervised release. They were released pending sentencing, which has been scheduled before Judge Hurd on January 8, 2010 in Utica.

Penn Traffic derived substantial revenue, not only from the retail and wholesale sale of products, but also from payments made to it by vendors for promoting, advertising, and carrying their products. During Penn Traffic's fiscal year 2002, defendants JONES and KNOX directed colleagues and subordinates to submit, to Penn Traffic's accounting department, deceptive and false financial information. That fraudulent financial information caused promotional allowance payments from vendors to be pulled from a future period and improperly recorded in a current reporting period (a practice known as "pulling forward"). Based on government calculations, this "pulling forward" falsely inflated Penn Traffic's actual financial results by more than \$10 million over several years. Both defendants received thousands of dollars in bonuses based in part on the false financial information they caused to be reported.

U.S. Attorney Andrew T. Baxter stated: "These individuals caused subordinates to "pull forward" revenue from the future before they were earned, fraudulently inflating Penn Traffic's reported financial performance. This accounting fraud provided a misleading picture of Penn Traffic's financial condition, deceiving both the SEC and Penn Traffic's investors."

John Pikus, Special-Agent-in-Charge of the Federal Bureau of Investigation's Albany Division noted: "The FBI is committed to rooting out accounting fraud by publicly-traded companies, to ensure the integrity of our securities markets and to protect the investing public."

The charges against JONES and KNOX result from an investigation by the Federal Bureau of Investigation, with the cooperation and assistance of the U.S. Securities and Exchange Commission, Northeast Regional Office. The United States was represented in this prosecution by Assistant U.S. Attorneys Stephen Green and Thomas Capezza.

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